

August 21, 2006

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the August 21, 2006 meeting were distributed to Commission members, intervenors and other interested parties July 21, 2006 and sent to the Secretary of State's Office for posting on July 21, 2006.

Commission Present: Chair, Michael Wiers, Katherine O. Musgrave, Colon Durrell, John Joseph Jr. and Shelley Doak *ex-officio*.

Commission Absent: None

Department Officials: None

Staff Present: Stanley Millay, Executive Director, Audrey Shorty, Resource Administrator and Carol Gauthier, administrative assistant.

Legal Counsel: Lucinda White, Assistant Attorney General not present.

Intervenors Present: John Blake, H.P. Hood, Inc., Thomas Brigham, Oakhurst Dairy

Others Present: Dale Cole, dairy farmer and President, MDIA, Galen Larrabee and Chuck Farrand, dairy farmers and board members, MDIA and Julie-Marie Bickford, Executive Director, Maine Dairy Industry Association (MDIA). Also present were, Robert Wellington from Agri-Mark Cooperative and Marc Lessard from Hannaford Supermarkets.

Meeting called to order at 10:25 a.m. by chair, Michael Wiers.

Agenda Item 1: Minutes: Shelley Doak made a motion to accept the minutes of the meeting on July 21, 2006 and the minutes of the meeting held on August 2, 2006. John Joseph seconded. Motion passed 4-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: No report.

Agenda Item 3: Minimum Prices: The prevailing premium is \$1.10/cwt on Class I for September 2006 reported by Dairy Marketing Services (DMS). Agri-Mark Cooperative reported \$0.90/cwt on Class I outside of Maine but reported that they continue charging their Maine customers \$1.10/cwt.

There is a Farm Bill Counter Cyclical Payment (MILC) for September 2006 of \$0.9656. Congress has reauthorized the MILC program at a reduced rate: (34% of \$16.94 minus the Class I Price).

Stan Millay presented milk pricing information for September and provided the Commission with producer cost of production examples ranging from \$.78/cwt. to \$1.35/cwt.

Bob Wellington up-dated the Commission on conditions around the country and explained that extreme heat in the west has helped reduce milk production there. He stated that the excessively low milk prices in the northeast have slowed production as well.

In response to a question about USDA reported premiums on Class I, Mr. Wellington explained that premiums on Class I vary from handler to handler. For example, Agri-Mark charges its customers a \$0.90/cwt. Premium on Class I

outside of Maine but charges its Maine customers \$1.10/cwt because the Commission adopts that amount as prevailing in southern New England. He said that the \$1.50/cwt that USDA last reported included charges that were not really premiums i.e. laboratory costs, field services, balancing costs to name a few.

Chairman Wiers questioned why Agri-Mark charged \$0.90/cwt to its outside of Maine customers while Dairy Marketing Services (DMS) reports charging \$1.10/cwt. He said he was troubled by this discrepancy and was concerned that the Commission, when adopting \$1.10/cwt as prevailing in southern New England, might be exceeding their authority in this regard.

Mr. Wellington explained that he could only speak to what Agri-Mark was charging and explained that premiums do vary according to level of service provided.

John Blake asked if the Commission had names of customers who were actually paying DMS the \$1.10.

Stan Millay told the Commission that DMS continues to report \$1.10/cwt as their prevailing premium and that the Commission can do no better than to adopt prices based on the evidence that they have available. He said the Commission does not have information concerning individual DMS customers.

Stan Millay asked Mr. Wellington for his views on the cost of production adjustment adopted by the Commission and about the impact it might have on processing.

Mr. Wellington explained that a higher cost to Maine processors due to the cost of production adjustment might attract milk from outside of Maine processors who do not have that additional cost. However, Maine is situated such that transportation costs are a huge expense.

Colon Durrell stated that the mission of the Commission is to have an adequate supply of fresh wholesome milk available to Maine people. He said he believed that was one of the basic tasks for the Commission. He pointed out that the retail mark-up of more than \$1.00 on many of the price-regulated containers does not help Maine's consumers and that loss of Maine milk production would only lead to higher prices.

Chairman Wiers wondered what would stop outside of Maine processors from taking advantage if the Commission continues to adopt a cost of production adjustment of \$1.35/cwt.

Mr. Wellington advised the Commission that they could reduce the adjustment if it became a problem.

Tom Brigham pointed out that if a Maine processor closes because of it, it will be to the loss of the State of Maine.

Chairman Wiers thanked the processors for being supportive of higher costs of production adjustments in the past during extreme low milk prices and told the Commission that this adjustment could not be moved high enough to fix the farm milk price problem.

Dale Cole pointed out that the \$1.35/cwt adopted last month by the Commission had not seemed to cause any trouble.

John Blake cautioned the Commission on adopting higher cost of production adjustments that only affect Maine processors. He said Walgreen's is coming into Maine and that they like cheap milk so they might take advantage of the situation.

Julie-Marie Bickford told the Commission that Walgreen's is not here yet, so we do not know what they will do as far as milk pricing goes.

Galen Larrabee pointed out that stores like Hannaford advertise Maine products because customers want them. He said he believes this true of Maine milk also.

Katherine Musgrave made a motion to accept schedule #09-06 with a producer cost of production adjustment of \$1.35cwt. It includes a \$14.10/cwt Class I Price, plus \$1.10/cwt as prevailing in Southern New England, plus \$1.40/cwt for a handling fee and plus a \$0.20/cwt processor assessment, for a total dealer Class I cost of \$18.15/cwt. John Joseph seconded. Motion passed 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for July 2006 which included prices for Augusta and Bangor.

Agenda Item 5: Next Scheduled Meetings:

- September 22, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- October 20, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
- November 17, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
- December 22, 2006, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission Reviewed income and expenditures.
2. **Dealer Margins Producer Margins:** Stan Millay. He reported that a survey has been sent to each processor but one has not been returned yet. As soon as it is received, plant costs will be assembled and the data analyzed. Updates will be provided to the Commission monthly. A final report will be completed by late fall.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session. Adjourned: 11:35 a.m.

Stanley Millay, Executive Director, Maine Milk Commission.